Even if the Commission were to agree with Verizon that the CLEC had some financial responsibility to carry Verizon's traffic to a POI outside of Verizon's local calling area or some other geographic area, (which it should not), the CLEC should only be responsible for the *additional incremental costs* to deliver traffic beyond that area. It is clear, though, that these additional costs are *de minimis* since Verizon's existing UNE dedicated and common transport rate structures are not mileage sensitive. Apparently, the difference is so small that it simply isn't worth the effort for Verizon to track and bill those costs. In the same vein, it wouldn't be worth the effort to attempt to track and bill those costs for interconnection purposes.

Q. VERIZON CITES A DECISION OF THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION ("PSC") AS GOOD PRECEDENT FOR THE POI ISSUES. DO YOU AGREE?

A. NoNot only did the South Carolina PSC disregard the law, (as I discuss at pages 11 and 19 of my Direct Testimony) it also applied flawed reasoning to arrive at its decision. Its decision (along with a similar decision in North Carolina) are at odds with the overwhelming majority of other states that have addressed the issue.

Q. WHAT IS WRONG WITH THE SOUTH CAROLINA DECISION?

A. Essentially, the South Carolina PSC is saying that the additional costs of interconnection resulting from facilities-based competition should be borne solely by the competitor. This gives BellSouth a special preferred status, exempting it from the additional costs associated with interconnecting the two networks.

This is bad policy. As I stated in my Direct Testimony, decisions such as this, which are based on the local telephony paradigm, impose substantial and unnecessary costs on AT&T and other CLECs. If local competition is to be encouraged, this Commission must see outside the local telephony paradigm and reassert the policies and rules that accommodate the different strategies, network designs and economic constraints of AT&T and other CLECs.

Q. HAVE OTHER STATES REJECTED THE SOUTH CAROLINA VIEW?

A. Yes. Other than the two Carolinas[4], very other state arbitrating this issue has rejected the view that the CLEC is solely responsible for transporting the incumbent LEC's traffic to the CLEC POI. Most recently, on July 30, 2001, the New York Public Service Commission issued its Arbitration Order for interconnection between AT&T/TCG and Verizon in which the New York Commission affirmed its earlier network interconnection prediction and policy:

> CLEC's network's, in all likelihood, would not mirror the incumbent's. This has proven correct... The policy established in our Competition II proceeding, that remains applicable, assumes that a carrier is responsible for the costs to carry calls on its own network.

Notwithstanding different network architectures, the New York PSC ordered:

> We reject Verizon's proposal and shall keep in place the existing framework that makes each party responsible for the costs associated with the traffic that their respective

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[4] As Verizon noted on page 10 of its Network Architecture Testimony, the North Carolina Utilities Commission has also held that if AT&T interconnects at points within the LATA but outside BellSouth's local calling area, AT&T should compensate BellSouth or be responsible for transport beyond the local calling area.

customers originate until it reaches the point of interconnection.[5]

This decision, and others like it which I cite in my Direct Testimony on pages 20-22, represent the Commissions that "got it right".

Q. IS VERIZON OFFERING AT&T A SIMILAR PROPOSAL TO THE ONE ADOPTED BY THE NORTH CAROLINA AND SOUTH CAROLINA COMMISSIONS?

A. No. Verizon's proposal is far worse that what was ordered in the Carolinas. It would require CLECs to establish many more POIs than are required under Bell South's proposal. Bell South sought one POI per local calling area whereas Verizon is seeking, under its VGRIP proposal, one POI *per rate center*[6] (a single local calling area may be composed of numerous rate centers), *one POI per CLEC collocation* and *one POI per end office at which the volume of traffic exceeds a single DS-1*.

By way of example, under the terms of BellSouth's proposal, Verizon could require only two POIs for the Northern Virginia portion of LATA 236 (one for Stafford, Virginia and one for the rest of Northern Virginia), whereas under Verizon's VGRIP proposal, its could require 19 or more POIs (one for each Verizon rate center).

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[5] Order, *Joint Petition of AT&T Communications of New York, Inc., TCG New York, Inc., and ACC Telecommunications Corp. Pursuant to Section 252 (b) of the Telecommunications Act of 1996 for Arbitration to establish an Interconnection Agreement with Verizon New York, Inc.*, Case 01-C-0095 *(July 30, 2001)*.

[6] As I discussed at pages 25-27 and at pages 89-90 of my Direct Testimony, Verizon's legacy local calling areas and rate centers are an artifact of a monopoly era and Verizon's network architecture.

Q. VERIZON ASSERTS (AT PAGE 11) "VERIZON VA IS OFFERING TO THE PETITIONERS THEIR CHOICE OF INTERCONNECTION POINTS THAT ARE LOCATED WITHIN A REASONABLE DISTANCE OF THEIR CUSTOMERS ORIGINATING THE CALL." IS THIS MISLEADING?

A. Yes, for two reasons. First, considering the several conditions under which Verizon may unilaterally designate a Verizon IP (the point at which the CLEC becomes financially responsible to transport Verizon's traffic) under Verizon's proposal, it is disingenuous to assert that Verizon "offers the Petitioners their choice of interconnection points..." Although Verizon's contract language states that when any one of the conditions is met, *either party* may designate such location an IP, it is highly unlikely that any CLEC would voluntarily elect to designate such location an IP, because to do so would mean the CLEC is assuming the obligation to transport Verizon's traffic without any compensation.

Second, Verizon's assertion implies that a POI close to the CLEC customers is the most efficient location for a POI. This may be true for Verizon's network architecture, but it is not true in many circumstances for AT&T's network architecture. When there is a substantial concentration of customers in a geographic area, it may be more efficient for the CLEC to serve this narrow geographic area with its own POI. However, where customers are dispersed, a single POI, nearer to the CLEC switch, which serves a large geographic area, is more efficient.

The key point here is the Commission should not permit Verizon to dictate what POI location amounts to "efficient interconnection" for the CLEC. That is a choice for the CLEC to make.

Q. VERIZON COMPLAINTS (BEGINNING ON PAGE 13) THAT AT&T'S PROPOSAL DOES NOT ALLOW THE PARTIES TO INDEPENDENTLY CHOOSE THE POINT OF INTERCONNECTION THAT BEST SERVES THAT CARRIER'S NEEDS. HOW DO YOU RESPOND?

A. Verizon's complaint is not with AT&T's proposal, but with the law itself. This theme pervades Verizon's Network Architecture Testimony – that it is unfair to Verizon for CLECs to have interconnection rights that are not reciprocal. That argument, no matter how many times Verizon repeats it, is blind to the fact that the law gives CLECs the ability to select the point of interconnection as a way to offset Verizon's (and other ILECs') pervasive market power stemming from their large size and ubiquitous presence. Section 251(b)(2) requires Verizon (and other ILECs) to provide interconnection at any technically feasible point on Verizon's network. CLECs have no such obligation under the Act or FCC rules. AT&T's contract proposal is entirely consistent with the Act.

Verizon can, however, under AT&T's proposal, establish a separate POI for its traffic since the parties have agreed to use a one-way trunking arrangement. Nevertheless, Verizon is unhappy that it must obtain AT&T's mutual agreement as to where it would interconnect to AT&T's network. Such mutual agreement is necessary and appropriate for the reasons I stated on pages 33-36 of my Direct Testimony.

Absent mutual agreement, there needs to be a default POI location set forth in the Agreement. Otherwise, Verizon would be in a position to hold AT&T's network interconnection hostage to its interconnection wishes. That is why AT&T's proposed contract terms provide:

> VERIZON shall interconnect to the AT&T network (i.e., establish a POI) for the delivery of ESIT originating on the VERIZON network at such point mutually agreed to between the Parties *or, lacking mutual agreement, at each respective AT&T Switch serving the terminating end user.*[7]

As part of AT&T's default POI proposal, AT&T provides that Verizon may use the equipment that Verizon has placed in AT&T serving wire centers to provide AT&T exchange access services to furnish itself local interconnection trunks.[8] This provision provides two advantages to Verizon. First, it is an efficient POI location, because AT&T would not have to provide, and Verizon would not pay for, any transport. Second, it enables Verizon to self-provision its own trunking facilities without having to lease interconnection facilities from AT&T. If Verizon utilized this arrangement, the portion of the Verizon equipment used to establish interconnection trunks would be subject to the terms and charges of AT&T's Space License.

Q. VERIZON STATES (AT PAGE 15), "WHEN AT&T PICKS ITS ONE POI PER LATA, VERIZON VA HAS NO CHOICE ABOUT WHERE IT CAN DROP OFF ITS ORIGINATING TRAFFIC." IS THIS ASSERTION CORRECT?

A. No. AT&T and Verizon have agreed to use a one-way trunking arrangement, which provides each party the ability to independently choose its POIs, though Verizon's choice, as I explained above, is limited to those locations to which AT&T mutually agrees. AT&T has no obligation under the law to make such an

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[7] AT&T Proposed Interconnection Agreement, Schedule Four §§ 1.1 - 1.3 (emphasis added).

[8] Schedule 4, Part B, § 2.1.1

offer to Verizon, yet does so, so that Verizon would have some discretion on the location of its POIs.

Q. VERIZON ARGUES (AT PAGE 15) THAT "BECAUSE VERIZON VA HAS MORE PLACES ON ITS NETWORK FROM WHICH AT&T CAN PICK AND CHOOSE WHERE TO DELIVER ITS ORIGINATING TRAFFIC, AT&T CAN LIMIT ITS TRANSPORT COSTS. IT LIMITS ITS TRANSPORT COSTS BECAUSE WITH MORE POINTS AT WHICH AT&T CAN "DROP OFF" ITS ORIGINATING TRAFFIC, THE FEWER MILES ITS TRAFFIC TRAVELS BEFORE IT IS HANDED OFF." IS THIS ASSERTION CORRECT?

A. No. This is an illogical assertion and only serves to confuse the issue. As I explained in my Direct Testimony beginning on page 10, each carrier is responsible for delivering its originating traffic to the POI. Between the originating customer and the POI, the costs of delivery are identified as the origination costs, and the facilities that bring the traffic to that point are the interconnection facilities. From the POI to the terminating customer, the terminating carrier assumes operational responsibility to take that traffic to the designated end user and the originating carrier pays the terminating carrier for the costs of that carriage. The costs associated with the terminating side of the POI, are generally known as the termination costs. Accordingly, the originating carrier is responsible for the collective costs (interconnection facilities and transport) to carry its traffic between the originating and terminating switches.

The location of a POI affects both the amount of reciprocal compensation one carrier pays the other carrier and the carrier's own network costs, but, in no case can the location of the POI actually reduce the distance that traffic must be

carried to less than the direct route between the originating and terminating switches.

AT&T's proposal gives each party the option to establish one-way direct trunks for its traffic between its originating switch and the terminating switch of the other party. This means, simply, that one party is not tied to the other's choice of interconnection location or method. For example, AT&T may elect to tandem route its traffic to Verizon, while Verizon may elect to direct end office route its traffic to AT&T. This approach gives both parties comparable opportunities to independently determine and implement efficient routing of their traffic to the other party.

Q. VERIZON ARGUES (AT PAGES 16-17) THAT A CLEC SHOULD BE REQUIRED TO SURRENDER ITS COLLOCATION SPACE TO VERIZON BECAUSE, IN VERIZON'S WORDS, "THIS IS AN EFFICIENT USE OF FACILITIES BECAUSE THE PETITIONER ALREADY HAS EXISTING FACILITIES IN PLACE BETWEEN THE COLLOCATION SITE AND THE PETITIONER'S SWITCH. SINCE BOTH PARTIES HAVE A PRESENCE IN THE VERIZON VA WIRE CENTER, IT IS A NATURAL POINT TO EXCHANGE TRAFFIC." WHAT IS WRONG WITH THIS VIEW?

A. There are a number of inaccuracies in Verizon's assertion that I will explain more fully below. At bottom, however, this is just another version of Verizon's oft-repeated complaint that the Telecommunications Act is unfair to Verizon.

Verizon proposes that where a CLEC has established a collocation arrangement at a Verizon serving wire center, Verizon should be permitted to require the CLEC to carry Verizon's traffic through the CLEC's collocation arrangement. This is Verizon's way of "taking back" what Verizon feels is an

unequal and unfair obligation: that Verizon must provide the CLECs collocation, but the CLECs are not required to reciprocate. If adopted, Verizon's "surrendered collocation" proposal would frustrate the CLEC's use of their legitimately and lawfully acquired collocation space and possibly thwart local market entry by collocated CLECs. Instead of using the collocation space for their own business needs, the CLECs, under Verizon's proposal, would be forced to devote a substantial portion of their collocation space and equipment to exchanging traffic with Verizon.

Moreover, Verizon's assertion that surrendered collocation is an efficient use of facilities is misleading. There is no question that it would reduce Verizon's costs for it to use CLEC's collocation space and transport facilities between the collocation and the CLEC switch *at no charge*. However, this arrangement would be expensive and burdensome for the CLEC.

Even if the Commission were to require Verizon to compensate the CLEC for surrendered collocation and transport, such unilateral action by Verizon could frustrate CLEC market entry, as I discuss below. I want to emphasize that not all such arrangements are bad or uneconomic. Indeed, there are circumstances where AT&T may want to agree to them. Such agreements, however, should be *voluntary*, not mandatory. Indeed, when such an arrangement has advantages for the CLEC, the parties likely will come to mutual agreement on the matter.[9]

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[9] This issue was previously discussed in my Direct Testimony at pages 32 and 33.

Another inaccuracy inherent in Verizon's position on this issue is Verizon's claim that it lacks adequate network facilities between the CLEC collocation and the CLEC switch. That is nonsense. Verizon is the incumbent LEC for its territory. It has a virtually ubiquitous network. It is simply untrue that Verizon does not have the capability to carry its own traffic to the CLEC switch. That is certainly the case with regard to AT&T. Many AT&T local switches are deployed in the same locations as AT&T's long distance switches. Verizon has high capacity fiber optic facility systems to each of these locations to provide exchange access services to AT&T's long distance business. As I stated previously, AT&T would agree to allow Verizon to place its local interconnection trunks in these facilities under the terms of AT&T's Space License.

A third inaccuracy associated with Verizon's position on this matter is the claim that the CLECs already have existing facilities in place between the collocation site and the CLEC switch. When AT&T establishes a collocation arrangement miles from the AT&T network, AT&T generally leases facilities from Verizon to interconnect the collocation arrangement with the rest of AT&T's network. Under Verizon's proposal, AT&T would need to lease additional facilities from Verizon so that Verizon could put *its* traffic on them. This would be doubly damaging for AT&T, in that AT&T would have to pay Verizon to lease facilities to help Verizon reduce its costs. This is not only counter to the Act, but is entirely unreasonable and illogical.

Last, it is completely false that AT&T's refusal to agree to surrender its collocation space to Verizon "serves no other purpose other than to load

unnecessary costs on Verizon." This assertion ignores the fact that the law and current rules permit CLECs to choose an efficient interconnection arrangement for themselves in order to foster local competition. I have been clear throughout my testimony that where AT&T is not adversely affected, it will accommodate Verizon and will not force Verizon to interconnect at the same POI or use the same trunk routes or facilities that AT&T elects for its traffic. AT&T recognizes that each party is in the best position to determine the most efficient method to deliver its traffic to the other party, so will allow Verizon may select its own POI, subject to AT&T's mutual agreement. However, AT&T will not agree to provide, and the Commission should not provide Verizon with the right to unilaterally designate, an interconnection arrangement that would be inefficient for AT&T. Accordingly, the Commission should reject out of hand Verizon's proposal that it may designate a CLEC collocation as an interconnection point.

Q. HAS VERIZON OFFERED AT&T A COMPROMISE PROPOSAL ON THE POI ISSUE?

A. On page 11 of Verizon's Network Architecture Testimony, Verizon asserts that it had developed "a compromise between the Petitioners' proposal and Verizon VA's GRIP proposal." That was news to AT&T. Verizon has not provided any such proposal to the AT&T negotiating, nor has Verizon asked to re-open discussions on the POI issue.

Q. DOES VERIZON DESCRIBE THIS NEW "COMPROMISE" PROPOSAL IN ITS TESTIMONY?

A. Not really. Verizon did not attach any new contract terms to its testimony and Verizon describes its "compromise" proposal only in the most general terms.

However, from Verizon's description of VGRIP, as Verizon calls its new proposal, I do not discern any significant difference between Verizon's prior GRIP proposal, which I discussed in my Direct Testimony, and its new VGRIP proposal. It certainly does not appear to be much of a "compromise."

Q. HAVE YOU BEEN ABLE TO OBTAIN A COPY OF VERIZON'S VGRIP PROPOSAL?

A. Possibly, but I cannot be certain. Attached as Exhibit A to the testimony of Mr. Donato Grieco and Mr. Gary Ball of WorldCom are contract terms purported to be Verizon's VGRIP proposal to WorldCom. I can only surmise that Verizon intends to offer the same arrangement to AT&T.

Q. WHAT ARE THE SUBSTANTIVE DIFFERENCES BETWEEN VERIZON'S GRIP PROPOSAL AND ITS VGRIP PROPOSAL AS SET FORTH IN THE EXHIBIT A CONTRACT LANGUAGE ATTACHED TO WORLDCOM'S TESTIMONY?

A. Under the GRIP proposal it is unclear as to the number of end offices in which AT&T would be required to establish an IP, because any one of a variety of conditions may trigger Verizon's right to require AT&T to establish an IP. However, under its VGRIP proposal as set forth in WorldCom's Exhibit A, Verizon makes it quite clear that AT&T would have to establish an IP at *each of the 310 Verizon rate centers* in Virginia, where AT&T offers local exchange service.[10]

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[10] Direct Testimony of Donato Grieco and Gary Ball, Exhibit A, § 7.1.1.1

Q. ARE THERE OTHER PROBLEMS WITH VERIZON'S "COMPROMISE" VGRIP PROPOSAL?

A. Yes. As with its GRIP proposal, the VGRIP proposal violates the requirement that the originating carrier is responsible for the costs of transporting its traffic to the point of interconnection with the terminating carrier. Verizon's VGRIP proposal, as described on page 12 of Verizon's Network Interconnection Testimony, simply provides that Verizon deliver its traffic only as far as its end office, where a CLEC is collocated, or at a tandem wire center. AT&T would still be responsible to pick up the traffic at those locations and carry it to its switch for termination. Thus, Verizon is still transferring a significant portion of its originating transport costs to AT&T in violation of the law. Moreover, as I explained in my Direct Testimony on pages 32-33, and again in this testimony, AT&T should not be required to surrender or share its collocation space with Verizon.

Q. DOESN'T VERIZON'S NETWORK ARCHITECTURE TESTIMONY CLAIM THAT VERIZON MAY REQUIRE CLECS TO ESTABLISH AN IP AT A COLLOCATION SITE IN EACH VERIZON VA TANDEM WIRE CENTER?

A. Yes, that is what the testimony says, but the proposed contract terms set forth in WorldCom's Exhibit A do not even mention tandem wire center interconnection. However, even if Verizon's language clearly provided that Verizon could only require that CLECs establish an IP at each Verizon tandem wire center, such interconnection terms would still be unlawful and require AT&T to bear a disproportionate share of network interconnection costs.

Q. HAVE YOU DETERMINED THE COSTS TO EACH PARTY UNDER VERIZON'S VGRIP PROPOSAL?

A. There is virtually no difference in the costs to each party between Verizon's GRIP proposal and the VGRIP proposal as set forth in WorldCom's Exhibit A. Thus, the cost study I already provided in my Direct Testimony would be a reasonable estimate of the costs to each party under that VGRIP proposal.

Q. WHAT WOULD BE THE COSTS TO EACH PARTY UNDER VERIZON'S VGRIP PROPOSAL AS DESCRIBED IN VERIZON'S TESTIMONY?

A. As I stated above, the VGRIP proposal is described in the testimony in only the most general terms, so it is difficult to fully understand what Verizon might be proposing. However, Verizon might be proposing that for tandem routed traffic Verizon's and AT&T's IP (using Verizon's terminology) would be at the applicable Verizon tandem switch location, and for direct end office routed traffic Verizon's and AT&T's IP would be at the Verizon end office location (hereafter referred to as the "Tandem Compromise"). In other words, with respect to tandem routed traffic, Verizon would carry its traffic from the originating switch to the tandem location and AT&T would be obligated to carry Verizon's traffic from the tandem to the AT&T switch without any compensation from Verizon.

Q. WOULD THIS TYPE OF TANDEM COMPROMISE PROPOSAL BE ACCEPTABLE TO AT&T?

A. No. As I noted above, even this type of compromise proposal would be unacceptable to AT&T because it still inappropriately allocates network interconnection costs to AT&T and would have a significant adverse financial impact on AT&T.

Q. WHAT COST SUPPORT DO YOU HAVE DEMONSTRATING THAT SUCH A TANDEM COMPROMISE PROPOSAL WOULD HAVE A SIGNIFICANT ADVERSE FINANCIAL IMPACT ON AT&T?

A. I have modified the cost study attached to my Direct Testimony as Exhibit DLT-6 to show the costs allocated to each party under this Tandem Compromise proposal. I have assumed in this analysis that: (1) AT&T would be fully responsible for the costs to carry AT&T's traffic from the AT&T originating switch to the AT&T POI (interconnection facility costs) and from the AT&T POI to the Verizon terminating switch (transport charges from Verizon); (2) for Verizon's tandem routed traffic, Verizon would be responsible for the costs to carry Verizon's traffic from the Verizon originating switch to the Verizon tandem switch and AT&T would be responsible for the costs to carry Verizon's traffic from the Verizon tandem switch to the POI (AT&T's terminating switch in this study); and (3) for Verizon's direct end office routed traffic, AT&T would be responsible for the costs to carry Verizon's traffic from the Verizon end office to the POI.

Q. PLEASE DESCRIBE THE BASIC METHODOLOGY USED TO DEVELOP YOUR COST ESTIMATES FOR THIS NEW COST STUDY.

A. The methodology used to develop the new cost study is nearly identical to the methodology used to develop Exhibit DLT-6 set forth in my Direct Testimony. I relied upon traffic usage reports to determine the number of interconnection trunks in place today between AT&T's switches and Verizon's tandems and end offices. To obtain the costs to be allocated to each party under the AT&T POI proposal, the end office and tandem trunk quantities were allocated to each party in proportion to the historic balance of traffic between the parties. To obtain the

costs to be allocated to each party under this Tandem Compromise proposal, the end office and tandem trunk quantities were allocated wholly to AT&T. The cost of the transport for in-place trunk groups to the end offices and tandems was then calculated based on the number of DS-1 or DS-3 circuits[11] and the miles between the switches based on the V&H data in the Local Exchange Routing Guide ("LERG").

In addition, I applied a new cost factor in this study. Under the Tandem Compromise proposal, common transport costs (the cost of transport between the Verizon tandem and end office switches) were allocated in proportion to the historic balance of traffic between the parties. Exchange access rates were used to determine the costs to each party for dedicated transport and UNE rates were used to determine the cost to each party for common transport. In addition, I applied a growth factor to the usage data that allowed me to price out the impact of Verizon's proposal in years 2 through 5.

Q. DID YOU USE THE SAME BASIC ASSUMPTIONS TO DEVELOP THIS NEW COST ESTIMATE AS YOU USED FOR EXHIBIT DLT-6?

A. Yes.

Q. PLEASE DESCRIBE THE COST STUDY IN MORE DETAIL.

A. A two-page summary of the cost analysis is attached to my testimony as Exhibit DLT-10 ("Summary Work Sheet"). A complete Microsoft Excel file of the cost study has been provided with my testimony on an accompanying Diskette labeled

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[11] DS-3 circuits were utilized when the aggregate cost of the required number of DS-1 circuits exceeded the cost of a DS-3 circuit.

Exhibit DLT-11. The cost analysis is composed of five work sheets as follows: Summary; DEOT; Tandem; Common and FG-D.

The **Summary Work Sheet** sums the applicable entries from each of the other work sheets into two sections. The top section specifies the costs to AT&T and Verizon under the AT&T POI proposal. The lower section specifies the costs to AT&T and Verizon under the Tandem Compromise proposal. Within each of these sections, each row is labeled to reference the worksheet from which the data was taken. Additionally, each cell is linked to its data source, which can be identified by clicking on that cell using Microsoft Excel. At the very bottom of the Summary Work Sheet is a table that calculates monthly per-line costs to AT&T and Verizon respectively under each of the cost scenarios.[12]

The **DEOT Work Sheet** is identical to the DEOT Work Sheet in Exhibit DLT-6, the **Tandem Work Sheet** is identical to the Tandem 1 Work Sheet in Exhibit DLT-6, and the **FG-D Work Sheet** is identical to the FG-D Work Sheet in Exhibit DLT-6.

The **Common Work Sheet** in the Microsoft Excel file calculates the cost to carry tandem routed traffic between the Verizon tandem and Verizon end office. The common transport costs assume that each tandem trunk carries 100,000 minutes

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[12] The number of AT&T lines used was developed from preliminary data that AT&T is accumulating to report to the FCC for the semi-annual FCC Report on Local Competition as of June 30, 2001. The number of Verizon lines is taken from the Loop Analysis Report and Tracking ("LART") System data provided by Verizon with its cost study.

per year. Because Verizon is not asserting that exchange access rate apply to common transport, UNE rates are used to calculate these costs.

**** BEGIN PROPRIETARY**

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END PROPRIETARY **

Q. YOUR STUDY HIGHLIGHTS THE DIFFERENCES AMONG THE VARIOUS POI PROPOSALS. IN CONDUCTING YOUR STUDY, DID

YOU REFLECT AT&T RECOMMENDATIONS REGARDING THE APPLICABILITY OF UNE TRANSPORT RATES?

A. No. Had I done so, the costs in the "AT&T Proposal" line would have been substantially lower. In order to isolate the impact of the different POI approaches, I assumed, for the limited purposes of the study, that Verizon would assess access rates for leased transport. As the Commission knows, however, in Issue V.2 the parties are arbitrating whether access rates or UNE rates should apply to this traffic. Had I reflected UNE rates in my study (which is AT&T's recommendation on Issue V.2), the costs per line under the "AT&T Proposal" would have been substantially lower than what I showed in the study.

Q. TURNING NOW TO THE "RECIPROCAL COLLOCATION" ISSUE, VERIZON STATES ON PAGE 28 OF ITS TESTIMONY THAT CLECS SHOULD GIVE VERIZON THE OPTION TO COLLOCATE AT A CLEC'S PREMISE BECAUSE IT IS FAIR AND WILL GIVE BOTH PARTIES SEVERAL OPTIONS FOR INTERCONNECTION. WHAT IS WRONG WITH VERIZON'S POSITON?

A. For starters, it is wrong under the law. As Mr. Nurse discusses in more detail, the Act requires Verizon to make collocation available, but imposes no such reciprocal obligation on CLECs. That fact alone resolves the issue.

Q. IS AT&T REFUSING TO PROVIDE VERIZON WITH SPACE IN AT&T'S LOCATIONS?

A. No. AT&T cannot be *forced* to offer collocation, but it is *willing* to do so under certain condtions. AT&T has offered Verizon a space license agreement (Schedule 4.2.2) which would permit Verizon to utilize space and power in AT&T facilities in order to terminate Verizon's traffic. It also provides, as I noted above, in Schedule 4, Part B, § 2.1.1, that if Verizon is providing to AT&T

an exchange access entrance facility to a certain AT&T switch center and the terminating equipment used to provide such exchange access entrance facility has spare capacity, then Verizon may, at its discretion, use the spare capacity of such equipment to establish transport facilities for the purpose of terminating its traffic under the terms of the Space License. Thus, AT&T is offering Verizon more than AT&T is required to provide by law.

Issue III.1 ***Tandem Transit Service*** Does Verizon have an obligation to provide transit service to AT&T for the exchange of local traffic with other carriers, regardless of the level of traffic exchanged between AT&T and the other carriers?

Q. VERIZON CLAIMS (ON PAGE 35) THAT SINCE THE ACT REQUIRES EACH CARRIER TO INTERCONNECT WITH ONE ANOTHER, VERIZON DOES NOT HAVE AN OBLIGATION TO PROVIDE TRANSIT SERVICE. IS VERIZON CORRECT?

A. No. The Act sets forth different interconnection obligations and rights for incumbents and CLECs. ILECs must allow interconnection by CLECs at any technically feasible point, which includes the tandem. Non-incumbent carriers, on the other hand, have the right to interconnect directly or *indirectly* with one another. *See* §251 (a)(1). Indirect interconnection, as the FCC noted in its *Local Competition Order,* is interconnection with *other carriers* via the incumbent's network.[13] Thus, Verizon's assertion that it has no obligation to provide transit traffic amounts to a rejection of its obligation to provide indirect interconnection for non-incumbent LECs.

Q. COULD YOU COMMENT ON VERIZON'S ASSERTION ON PAGE 35 THAT IF IT DOES NOT IMPOSE A TRAFFIC THRESHOLD ON TRANSIT TRAFFIC, THE PETITIONERS WOULD HAVE NO INCENTIVE TO INTERCONNECT DIRECTLY WITH OTHER CARRIERS.

A. Yes. Inherent in that statement is an acknowledgment by Verizon that, as I have testified in my Direct Testimony, direct interconnection often is not efficient or economic for carriers. Thus, Verizon's imposition of this direct connection requirement on CLECs is not only contrary to its own interconnection obligations, but, by its own admission, is often inefficient for other carriers. As I stated in my

initial testimony, AT&T's traffic engineers evaluate various trunk routes using economic CCS[14] thresholds in order to determine when and where AT&T can realize cost savings by establishing direct trunking. Verizon's proposed arbitrary threshold prevents AT&T from determining the most efficient method for interconnection.

Furthermore, there is no parallel between Verizon's and a CLEC's costs to establish direct end office trunking. Verizon has a pre-existing network connecting each of its serving wire centers within a LATA, which provides Verizon a substantially lower traffic volume threshold at which direct trunking becomes economical. CLECs have a considerably more complicated decision to determine when it is efficient to directly trunk to a certain ILEC end office. Factors that AT&T considers include: costs to build out the AT&T network to that location; costs to collocate; costs to lease facilities from the ILEC or another carrier; revenue projections and forecasts of AT&T services which may be provided through that location, both UNE and facility based; traffic trunk forecasts; and constraints on capital which may be required for other projects. Obviously it is unreasonable to hold AT&T to the same direct trunking traffic thresholds that Verizon sets for itself, because the two parties have vastly different situations.

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[13] *Local Competition Order* at ¶997. (*Emphasis added*).

[14] CCS is an acronym meaning Centi Call Seconds (One hundred call seconds or one hundred seconds of telephone conversation).

Q. VERIZON CLAIMS ON PAGE 36 THAT THE DS-1 THRESHOLD IS SUFFICIENT TO JUSTIFY CONSTRUCTION OF DIRECT INTERCONNECTION. DO YOU AGREE?

A. No. Verizon provides no cost justification or any other evidentiary support for this assertion. As I pointed out in my Direct Testimony at page 51, in a discovery response Verizon basically admitted it had no cost analysis to support the thresholds, or any written practices on this matter.

Moreover, Verizon has provided no additional information in its Direct Testimony on this issue, other than to state on page 37 that the DS-1 threshold was established 20 years ago as an engineering guideline and is still used by Verizon today. Thus, Verizon has provided no evidence that this threshold is appropriate or "sufficient" to use for CLEC traffic. This is particularly true because the CLECs' networks have nowhere near the ubiquitous reach of Verizon's network. Thus, any assertion that the threshold should be economical for CLECs because it is economical for Verizon is simply wrong.

Q. DOES VERIZON HAVE ANY CONTROL OVER ROUTING OF INTERCONNECTION TRAFFIC?

A. Indeed it does. Since Verizon and AT&T have agreed to use a one-way interconnection trunking arrangement, each party has control over the trunks used to deliver its traffic to the other party. If Verizon believes it has a sufficient volume of traffic, Verizon is free to send trunk orders to AT&T to route its originating traffic directly from a given Verizon end office to the AT&T switch, thereby reducing its tandem congestion. Verizon may take that action regardless of whether AT&T decides to establish direct end office trunks to that Verizon

end office for its traffic. Since more traffic currently originates on Verizon's network than on AT&T's, Verizon has control whether the majority of traffic exchanged between the parties is tandem routed or end office routed. Verizon should not be trying to control AT&T's network and engineering practices, but rather concentrate managing the interconnection trunks it controls according to its own practices.

Q VERIZON ASSERTS ON PAGE 36 THAT IF AT&T'S TRAFFIC CONTINUES TO BE ROUTED THROUGH VERIZON'S TANDEMS WITHOUT LIMITATION, THOSE TANDEMS WILL BE "USED UP." DO YOU AGREE WITH THIS STATEMENT?

A. No, and Verizon has provided no evidence to support such a statement. The FCC has specifically stated that in order for an incumbent to justify refusal to provide interconnection, it must provide the state commission with clear and convincing evidence that specific and significant adverse impacts would result from the requested interconnection or access.[15] Verizon has provided no such evidence.

All Verizon has indicated is that it has a few tandems in Virginia that face exhaust in 2001. That information in and of itself is not adequate to meet the specific and significant adverse impact standard. Verizon has provided no information that this exhaust situation is the result of CLEC local traffic in general or AT&T local traffic in particular. AT&T's traffic, by Verizon's own admission, is not the only traffic that traverses its tandem. In fact, Verizon has admitted that its exchange access tariff does not contain any traffic threshold

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[15] *Local Competition Order*, at ¶ 203.

requirements at all. It is clear from this information that Verizon is discriminating against CLEC traffic in this proposal.

As I stated in my Direct Testimony on page 59, if the Commission is concerned that ILECs are experiencing an amount of tandem exhaust that could negatively effect the development of an efficient network, the Commission should examine the issue in a generic rulemaking proceeding where it can solicit a broad range of industry input and examine the issue in a comprehensive manner that will be applicable to all industry sectors.